

BULLETIN

of the

BUSINESS HISTORICAL SOCIETY

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Problems in Collaborative Writing of Business History¹

In this exposition of the problems associated with writing business history three conditioning factors have been kept in mind. The paper is specifically limited to problems in the collaborative writing of business history; by definition, problems peculiar to the writing of the history of a small firm by one person are excluded. Only by collaboration can a satisfactory history of the large integrated unit be written. In the second place, the analysis herein is confined to the more important problems encountered in producing the history of a large business unit. Obviously it would be impossible to discuss in a short paper the whole range of problems which have been met, though not forgotten or ignored. Thirdly, the kind of business history I am talking about is a comprehensive analysis of the policy and management of the firm, not merely a superficial sketch of its corporate history or a survey of either its accomplishments or shortcomings.

The first problem arises in relation to the selection of the firm whose history is to be written. Some historians are convinced that a comprehensive plan should be drawn up for writing the history of business in the United States. A survey of firms and available records should be made. Then a series of questions should be answered. In view of their historical and present weight, which industries should have their histories written first? Which company in any selected industry should have its history analyzed in a comprehensive fashion? Will the chosen firm agree to that idea? Only a weak beginning has been made toward realization of that planned procedure. Instead of being in the position of fitting a project into a plan, the historian of business has usually been approached by a firm asking to have its history written. With the foregoing questions in mind, the historian is then forced to ask himself: If the record of this company is analyzed by the historian, will it serve a broad purpose to historians, economists, the company, and society in general? For present purposes, however, we assume that the answer is in the affirmative.

¹ Paper read at a session of the American Historical Association in Washington, D. C., on December 30, 1948.

As soon as a company admits its willingness to have its record exposed to public gaze, it must permit the researcher to examine its files for the purpose of determining whether there is enough material extant for a satisfactory history. Brief and sketchy histories of firms may be compiled from printed sources and interviews with key individuals, to be sure, but an adequate analysis of policies and their application by management can be done only on the basis of company records. If the records-management policy of the firm has left materials for only the preceding three to seven years, except of course for records retained for legal purposes, then the project will have to be abandoned. On the other hand, the records may be voluminous for some departments but lacking in others. In that case the surveyor must determine if information from other sources can be used to fill the gaps in the company files.

When it has been established that available records promise to yield adequate information for a history of the firm, the historian is then ready to conclude an agreement for carrying through the project. One issue that always arises at the very beginning is the method of financing such an operation. Several people must be engaged. Salaries must be paid, and the level cannot be too low, for researchers may have to abandon the security of an established position. The work will involve travel both by directors and by researchers. Where is the money to be found? Universities do not have it and the large foundations have shown only limited inclination to allocate funds for the history of business. Normally there is no recourse but to the company concerned. Will it be willing to pay the price?

Next comes the problem of the agency for handling the funds. The historical entrepreneur might handle the finances himself, but that is not practicable. There are several distinct advantages in having them placed in the hands of an established, impersonal organization, the most important advantages being certainty of continuity and collective judgment. In some cases the college or university with which the historian is associated has been selected. In another instance The Business History Foundation, Inc., was created, a non-profit institution for which a long life is hoped. It is the recipient of funds as well as the negotiator of understandings and agreements.

In connection with the agreement which must be drawn up with the company, questions inevitably arise as to the conditions which may be set. If the firm sets a time limit—say 1940, instead of allowing you

to tell the story until 1950—should you agree? What should you do if the firm insists upon forbidding publication if it disapproves of some ideas in your manuscript? Should you refuse to sign any agreement which stipulates that you cannot express without restraint the conclusions that are dictated by the facts?

The ideal for the historian of a business is to get written assurance of freedom of interpretation and publication. It is essential that the executives of the firm understand the implications of such a concession, and it is incumbent upon the sponsoring historian to expound to responsible individuals in the company the advantages of granting freedom of action. By the same token the historian is obligated to insist that otherwise a product satisfactory to the individual authors and to the fraternity of historians as well as to the company and to the general public cannot be written.

If the scholar expects to get this ideal arrangement for writing the history, he must voluntarily impose certain restraints upon himself to merit that confidence. To be certain that his judgments are not one-sided, he should discuss controversial points and conclusions with those in the company and outside it, always retaining freedom to determine the final judgments himself. He must place the firm in its proper historical perspective within its industry and the industry within the American economy and thus avoid the mistake of treating it out of its context. Every effort must be made to judge the actions of executives in terms of the ethics of the times and of the facts at their disposal when they made their decisions. There are certain considerations in writing the history of a business in *recent* years to be kept in mind. For example, nothing should be written to damage current relations with specific customers of the firm. In cases where the business of a company is international in scope, the impact of revelations about the company upon its business and upon American relations with other countries must be kept constantly in the historian's mind. The historian is dealing with a wide variety of living organisms and many interests—all in delicate balance. The rights of these various interests must be considered, and nothing should be done to undermine the *current* efforts of the Department of State to maintain amicable relations with another power. Indeed, in such a case the researcher will have no alternative but to realize that he can tell only a partial story, for the records of the Department of State and of the foreign power will not be open to him. As in the case of the historian of recent diplomatic relations, this problem in business

history places the highest strain upon the integrity and judgment of the author. If we are to have the privilege of writing the current history of business, we must recognize that we have commensurate responsibility.

Inasmuch as the task is too large for the directing historian to do alone, where is he going to get competent and trustworthy assistance? If he needs only "leg men" to dig up facts, his personnel problem may be relatively easily solved. There are many who can do that type of work under guidance. But when the proposition is so large that several people must be engaged to do the writing and must be trusted to make their own judgments, the problems of the director of the project become more complicated.

In the first place, there are relatively few people who are adequately prepared by training for such tasks. Generally speaking, the writer of the history of a business should always be aware of the setting within which the firm operates. For that reason the researcher should have as broad a knowledge and training as possible in at least history, government, economics, and sociology. Some knowledge of the processes of formulating business policy and of management is indispensable. One is tempted to state that without a solid foundation in the history of business the task cannot be accomplished satisfactorily at all. Training in statistics and accounting seems to be an obvious requisite for the writer of the history of modern business, and some scientific knowledge is almost essential for some fields—e.g., when you are trying to understand the chemistry of petroleum and the chemical nature of the refining processes. How many historians have had such broad training in the social sciences and in basic business operations as well? Obviously every budget should provide for specialists, either as researchers or as consultants.

If you know of some individuals with that training, can you trust them to exercise balanced judgment in evaluating the activities of the firm the history of which is to be written? Perhaps judgment is the all-important element. If a person has the judgment, the other things can be learned. Why must some historians be ruled out of consideration? One reason is that they have not developed a balanced perspective with regard to the importance of business, little and big, in the growth of American civilization. Too many general histories of the United States deal extensively with the iniquities and mistakes of business while mentioning in very brief space the significance of its accomplishments. Perhaps some of you will recall Simeon Strunsky's

remarks in this connection a few years ago. Many historians have unconsciously adopted the Socialist, or the muckraking, tradition, which is essentially that of the petty capitalist, which emphasized the crimes and misdemeanors of big business men and largely ignored their contributions, such as the economies of large-scale production, in developing our relatively high standard of living. That mistakes were made by business men, there can be no doubt; that farmers, politicians, professional men—even clergymen—make mistakes, also there is no less doubt; that all have made important contributions to American society cannot be gainsaid. To find individuals who have shown that they can see simultaneously that the railroads of the Middle West forwarded the settlement of the region while sometimes hurting the farmers and that the farmer contributed to the development of the area while raping its soil resources is not an easy task.

Even the economists who wish to work in economic history must be screened with care. Of course, an economist who is an economic historian is something of a *rara avis*. Beyond that, one must be selected who will regard his economic theory only as a frame of reference rather than a crystallized formula. He must regard theory as a source of hypotheses, not as established truths. That point should be reiterated again and again. To give an example, great as the advance of the theory of imperfect competition was over its predecessors, it still embodies some limitations if not downright inaccuracies. At least, so some of us who work in economic and business history think. That our point of view has some support among economists is indicated by the arguments of R. A. Gordon in his article on "Short-Period Price Determinations" in the *American Economic Review* for June, 1948.

In view of the difficulty in securing individuals with satisfactorily wide training, it is highly desirable to have specialists in several fields on the staff of a large project. The person who has specialized in history will be able to give quickly to the economist and the accountant bibliographical and factual information. On the other hand, the economist can propound questions and hypotheses for the historian and will see implications in certain data which might not otherwise occur to the latter. The need for a specialist in accounting requires no elaboration. Exchange of ideas and interpretations by people with different points of view is helpful to all.

Thus far in this discussion the assumption has been made that different authors are to be engaged to produce the different volumes of the project; but another method is for one person, or at most two

persons, to be responsible for all of the final manuscript. Under the second method a wider range of specialists can probably be employed than under the first, but many of the problems of choosing personnel will be similar to those encountered by the director who delegates his responsibility to the authors of individual volumes. As much as I should like to discuss the arguments for and against the two types of procedure, the present limitations of time and space necessitate the postponement of that intriguing topic to another occasion.

Even after the director of the project has decided upon individuals to do the research and writing, he often has difficulty in persuading them to accept his proposition. Against the advantages of participation the selectee can raise such arguments as that the project is temporary and offers no perceptible hope of secure employment; that an author who is paid by a company, directly or indirectly, to write its history is viewed with suspicion by his academic colleagues, not to mention all those whose ideas of the business man are derived from fiction; and that the return for the drudgery of going through literally tons of records is not worth the effort.

One of the first issues to be faced by the actual researcher relates to the selection of his working hypotheses, consciously phrased or not. So few analytical histories of large business units have been written that he cannot be certain of choosing the most rewarding and pertinent channels of study. Each industry, in itself a term which almost defies clear and precise definition, has problems and characteristics of its own. If no satisfactory histories of companies within the industry exist, as in the case of petroleum, then the historian must fall back upon his knowledge about other companies and other industries as well as his acquaintance with economic theory and general history. He must take his chances—a calculated risk—that his choices will produce a satisfactory percentage of favorable results. In most cases much spadework must be done before even reasonably adequate hypotheses can be stated. That method is wasteful of time and energy, but often there is no other way to establish the best lines of study to pursue. Even after formulating questions to be answered, he must be alert to the necessity of modifying his ideas as new evidence appears and as his hypotheses prove inadequate.

Again by way of illustration, one of the most difficult recurring problems in the history of business is to assess the motivation of decisions. For example, should the historian proceed in his investigation upon the generally held assumption that short-term profit is the

prime factor animating executives? If that assumption is made, the researcher will undoubtedly be going contrary to the realities of practice in many companies. Economic historians and the best thinkers among economic theorists now are aware that the business man very often has in mind long-term profit and a wide range of other factors when he decides, let us say, upon his price policy. Collateral to costs and profit in his decision is consideration of the reaction of the general public and various regulatory bodies, the relationship of the company with its large and small competitors as well as the auxiliaries of the industry, the maintenance of its previously held proportion of the total trade of the industry as a whole or in a specific territory, the prestige and reputation of the company, and various elements of uncertainty in his market, about which the executive may or may not have accurate information. When contractual agreements are involved, the personality of the negotiators is also often of paramount importance.

In evaluating the motivation of executives, how far can the historian go in distinguishing the real from the given explanation? His research may have brought forth a variety of factors bearing upon a specific decision: a public statement gives one reason, confidential documents another, and an interview with a participant in the episode divulges personal antagonisms as a force to be considered. Is there a "real" reason for the decision? If not, will an eclectic evaluation be satisfactory? In many instances a composite answer seems weak, but lack of conclusive evidence leaves the historian with no other recourse.

Researchers into the history of a large corporation from the beginning to the end of their efforts face the almost staggering task of maintaining balance in their story. As soon as they start they perceive the innumerable functions performed by the company. As early as possible the relative weight to be assigned to each function in the final manuscript must be estimated; otherwise valuable time may be wasted in collecting too much information on a small topic, thus inducing hasty and sketchy research upon a more important function. In the case of the Standard Oil Company (New Jersey) the major functions, as for all integrated oil firms, are exploration, production, transportation, storage, manufacture, and marketing. Other areas of concern, such as finance, employee relations, and public relations, belong on almost the same plane. Within each of these functions there are subdivisions of no little importance. In connection with transportation, for example, the historian must keep in mind the

relative significance at various times of wagons, barges, railroads and barrels, tank cars, tins and cases, tank wagons, tank steamers, and pipe lines.

Sometimes a deliberate departure from the maintenance of balance may be desirable. In view of the general impression that the relations between the railroads and the Standard Oil Trust were largely an unsavory story of rebates and discriminations, should a disproportionate amount of space be given to an attempt to evaluate the multitudinous interconnections of the two types of business?

In point of fact, the problem of relationships between the large corporation and other social and economic units looms very large in any history. First come to mind the relations of the firm with its major competitors—domestic and foreign. Next in line are the minor competitors. Not to be forgotten are the auxiliaries of the industry; in the oil business one thinks of suppliers of drilling tools, drilling mud, and various instruments of measurement and of fabricators of barrels, drums, cans, storage tanks, pipes, tank wagons, tank steamers, and an enormous range of refining equipment. At the same time, the firm's relations with trade associations—such as the American Petroleum Institute—and general business associations—the Chamber of Commerce and the National Association of Manufacturers, for example—must be analyzed. In the field of marketing, what changes have taken place between the corporation on the one hand, and wholesalers, commission agents, and retail outlets all over the world on the other? For petroleum that particular issue appears almost simultaneously with the successful drilling of the first oil well. One of the most ignored phases of the oil industry is that of storage. To what extent was oil stored in common warehouses? Why did that relationship never attract public attention as did the one between oil companies and common carriers? Other relationships of the company which cannot be ignored are those with commercial banks, investment banks and trusts, professional auxiliaries (engineering, public relations counsellors, and the like), and the general public.

Not the least important of those problems is the relationship of the large corporation, say Jersey Standard, to the general public. Any organization of the size of that holding company with its affiliates is vested with public interest, whether the executives recognize the fact or not. A few of the questions raised by the historians are the following: What accounts for the public reaction to the Standard Oil Company? Did competitors contribute to the public concept? To what

extent was the public attitude justified or unjustified? Was the restrictive and regulatory legislation passed by the States and the Federal government a true reflection of public opinion? Was that legislation justified for the general interest? What are the advantages and disadvantages of the company's having been an object of suspicion and regulation? What measures to present its case has the company adopted from time to time? What accounts for the changes in those measures? This list omits the relation of the company to the consumer, which is obviously more important than any other.

The foregoing selection of questions points up the complexities and perplexities in the writing of a comprehensive history of a large corporation. Many functions are performed by the company at any given moment. With the passage of time new functions are added and others are abandoned. The equilibrium within the company as between the various functions changes with external circumstances as well as with internal developments, including the rise of new and young executives and the expansion of the staff. Relationships range from major competitors and the governments of many sovereign states to consumers in all areas of the globe. The uses of oil by the fellahin and the coolie as well as by the Canadian, the German, and the Spaniard must be analyzed and placed in proper perspective.

In view of the immense range and wealth of factual data to be evaluated, it is amply clear that the collaborators in a history of a corporation doing business on an international scale face formidable obstacles to unity in their finished product. Any two persons, sifting and weighing the same data covering one period, tend to place different interpretations upon the same facts. Two or more individuals analyzing information on the same function in different periods of time could easily come to widely divergent conclusions, which might or might not reflect the substantial unity and continuity inherent in the data. When the writers consider the variability in the volume of extant documentary evidence, the number of functions to be subjected to analysis, the geographical spread of operations, the innumerable internal and external pressures upon the business, and the differences in temperament and training among the historians themselves, not to mention the fact that different periods in time are involved, the problem of achieving a unified history assumes almost appalling magnitude.

Since the best kind of historical exposition demands unity in the whole, a special effort must be made to achieve that desired result on

the part of the several individuals concerned. As frequently and continuously as time will permit, the authors must stimulate each other by suggesting ideas and by submitting both tentative and final conclusions for criticism. They must always keep in mind that their narrative and analysis is to be a part of an entity and that the writing of any one author on a particular topic cannot be treated as in a vacuum. Conferences must be held to ensure that there is agreement, in so far as possible, with reference to the main threads throughout the various volumes. The director and supervisor should suggest hypotheses and themes common to the research and writing of all participants in the project. Though conferences and discussions have the disadvantage of consuming valuable time which might be utilized effectively in collecting factual data, it appears to be the price that must be paid for the measure of unity which is achieved in a multi-volumed project.

The term "measure" has been used deliberately in the preceding sentence because it is undesirable, if not impossible, to iron out the differences between the various individual authors. In the Jersey Standard project the directors decided that full responsibility should be placed upon the authors of each volume for the research, writing, and interpretation. If an historian is writing one volume and an economist another, there can be no objection if the training and ideas of each are reflected in their respective finished analyses. That areas of agreement as to interpretation have been mapped need not militate against the effective retention of individualism in the various volumes which are produced. The project thus largely stands or falls upon the diligence, integrity, and judgment of the individual scholar. By this method of procedure it is hoped that one particularly undesired feature will be eliminated—that is, the writing of the final manuscript by one or two who have done little of the research and yet superimpose their own interpretation upon the work of several assistants.

One other problem must be faced by all who attempt the task of writing the history of a large corporation. How much of the collected data should be published? Two important items that enter consideration of the topic are the costs of publication and the segments of the reading public at which the finished product is aimed. In business history at least as important a subject to be weighed is whether the books are to deal with high policy only or are to include considerable detail upon management of daily operations as well. With reference to the history of Jersey Standard, it was decided to publish first at

least three or four volumes of detailed analysis and later a summary volume.

Difficult of solution as some of these problems may be, it is highly important that the attempt be made to solve them at once. Collaborative effort is imperative. By his own labor one individual cannot produce an adequately comprehensive historical analysis of the history of a large corporation's policy and management. Yet the facts in balanced perspective must be set forth. There must be an end to the practice of assigning to students little more than the muckraking books on American large-scale business activity; we must give to students and teachers a sound basis for their judgments. Facts must be published to show the falseness of the stereotype of the business man in American fiction, which made him an uncultivated, unscrupulous, anti-social, shortsighted pursuer of immediate and excessive profits. That evidence to contradict this conception has begun to creep into the record is revealed in Harold Laski's recent book, *The American Democracy*, though that author's Socialist predilections cause him to give only a confused and contradictory portrayal of the business man. If the people of the United States are forced to make judgments about Marxism in its various forms, they are certainly entitled to have adequate factual data upon which to make comparisons with their own system of business enterprise.

To give them that information it is necessary to tell the story of American little business and middle-sized business, as well as big business, as fully and as impartially as is humanly possible. Since that history, as all history, deals with the activities of human beings, it cannot accurately be preoccupied with either fulsome praise or odious condemnation. Evidence of strength and weakness, of virtues and shortcomings, will be incorporated in the published record. The large corporation is an organization by and for people as much as are governmental institutions. It is *with* us and promises to remain so under almost any intelligently run system, because it is basic to our high standard of living. The fundamental problem is to understand this tool of our democratic society, and by understanding it to determine how best to use it.

RALPH W. Hidy

Business History Foundation, Inc.

Anaheim, California: A Nineteenth Century Experiment in Commercial Viniculture

The development of commercial viniculture in California forms an important chapter in the State's agricultural and business history. The sixty years between 1830 and 1890 witnessed the transformation in California of agricultural policies and practices which culminated in the birth of a large-scale industrial and commercial enterprise. Grape-growing and wine-making were one of the first industries to experience this transition.

Wine-making is one of the oldest commercial industries not only in California but also in western America. It traces its history back four hundred years to Cortez (1524) in Mexico. The Jesuits introduced the vine into Lower California from Mexico. Father Juan Ugarte was probably the first person to plant a vineyard in Lower California. His vineyard produced sufficient wine for it to become the supply center of the missions of that peninsula. While vineyards were planted in approximately one-third of the missions of Lower California, it is extremely doubtful that wine was produced for other than sacramental and private use. From Lower California the Spanish priests and missionaries brought the *vitis vinifera*, the European wine grape, to California proper, where it was established concurrently with the founding of each mission.

In America there are two types of vines: the indigenous American vine, which is found in its wild state over a large portion of the United

AUTHOR'S NOTE: In the preparation of this article two scrapbook collections in the Bancroft Library of the University of California at Berkeley were of particular value. The "Bancroft Scraps" (c. 1850-80), 113 volumes, were important sources of newspaper and pamphlet materials. The volumes in the series entitled "California Agriculture," "California Counties," and "State Fairs" proved to be among the most useful. The second collection of scraps and clippings, the Benjamin Hayes "Scrapbooks" (c. 1850-80), 138 volumes, formed another important supplement to materials in the Bancroft collection. The most important volumes in the Hayes collection proved to be those entitled "Agriculture," "California Notes," and "History of Los Angeles County"; they contain important accounts of the production, quality, and sale of the wine of the Los Angeles Vineyard Society.

States in great variety, and the *vitis vinifera* from Europe. It is the latter with which we are primarily concerned, since upon this vine is based the wine industry of both Europe and California. Only in California has this vine found a soil and climate virtually identical with those of its native habitat. This fact has been the most important single contribution toward making California the vineland of America.

As far as can be determined, the first European vines in what is now California were planted at San Diego around 1770. Following the introduction of the *vinifera* at San Diego, grape culture followed the northward march of the missions along El Camino Real. By 1823 the Spanish priests had brought the vine as far north as Sonoma County. While there probably has been a vintage in California since 1784, the history of grape-growing and wine-making in the period between 1770 and 1830 is essentially the history of the individual missions. Viticulture, as well as all other forms of agriculture, prospered only where the missions succeeded. The degree of success of a given mission usually determined the condition of viticulture in that locality. Before the early 'thirties few vines were planted by individuals; California agriculture was mission agriculture.

Although grape-growing by 1830 had extended as far as the missions from San Diego to Sonoma--Los Angeles was the vine-growing region of this period. The small concentration and expansion of vineyards was limited largely to southern California. In 1831 the present city limits of Los Angeles claimed a hundred thousand or more vines, fully half the vines in the State. While the missions were still the largest wine producers in the State, some growers in the countryside as far north as Sonoma and Napa counties were beginning to make wine.

In 1833 the Mexican government by decree caused the mission lands to be secularized. The immediate effect of this legislation was to terminate the one institution that had dominated the whole of California's economy. From 1834, vineyards and orchards, which had been important sources of mission wealth, were gradually abandoned. This fact, more than anything else, hastened the end of pastoral California and led the way for private initiative to take over the vineyards of California.

The pioneer viticulturists, Jean Louis Vignes and William Wolf-skill, were two of the most important commercial vintners in California. Their success in the 1830's awakened an interest in grape-

growing and wine-making which was to become increasingly important. Their success, financial as well as agricultural, pointed the way to a new source of revenue for the individual as well as the region. It was not until the gold rush, however, that the demand for wine increased to such an extent as to make viticulture one of the most profitable agricultural pursuits in California.

Many of the pioneers who failed to find either fortune or subsistence at the mines turned to grape-growing, while others saw in wine-making a more promising future than the search for the precious metal. The effect of the discovery of gold on California's agriculture generally and viticulture specifically was both good and bad. The benefits from a larger wine market which the miners provided, the necessity for increased cultivation, and the results of bringing to California the vinicultural erudition of Europe cannot be overlooked. At the same time, the participation of novices and speculators, who were attracted to grape-growing and wine-making by the prospect of immediate profit, resulted in damaging the quality and the future reputation of California wines for several score years. To add further to the growing emphasis placed upon viticulture, the State government between 1857 and 1863 embarked upon a policy of encouraging agriculture.

This paternalism on the part of the State coincided with a new, and very important, development in commercial viniculture, namely, co-operative and corporate efforts to make grape-growing and wine-making an important business in California. The co-operative experiment at Anaheim in 1857 is, therefore, important not only because it indicated very early a new tendency in the business and commercial organization of the industry but also because it was one of the earliest significant attempts at large-scale wine production. The settlers at Anaheim aimed to make wine and grapes the chief source of their revenue.

The German experiment at Anaheim was one of the more successful mid-nineteenth-century attempts to set up co-operative communities in America. The abundance of cheap land, the lack of industrialization, and the high degree of political and religious freedom in the United States attracted many European immigrants. While strictly co-operative in its origins, this German community, twenty-six miles southeast of Los Angeles, contained elements of the pre-1850 utopian and humanitarian socialism. The belief in the "perfectibility of society through rational effort" and similar politico-economic theories

were, however, always incidental to the more immediate and material needs of the community. This was first and foremost a business venture.

The idea of a German wine colony was conceived in 1855 by four prominent California Germans—Charles Kohler, John Frohling, Otto Weyse, and George Hansen.¹ The demand for wine in the mid-'fifties so far exceeded the supply that the success of such a venture appeared assured from its inception. Hansen was a Los Angeles lawyer, a civil engineer, and for six years a deputy supervisor of Los Angeles County; Otto Weyse was the editor of the San Francisco *Democrat*; and Frohling, a San Francisco wine merchant. These three men met in Los Angeles (1855) and discussed plans for establishing a German colony in southern California.² The project aroused immediate interest, and within a few weeks of this meeting the Los Angeles *Star* warned the vineyardists of its county to postpone all sales of wine lands until more definite results of the Hansen, Weyse, Frohling meeting were disclosed.³ Upon his return to San Francisco Hansen became the general agent through whom the German colony of northern California made known its interests in the coöperative venture. It is owing largely to his efforts that the 1855 meeting materialized into the definite plans of 1857.⁴

In the summer of 1857 the Anaheim Association was organized and incorporated at San Francisco under the name of the Los Angeles Vineyard Society, with a capital stock of \$100,000. According to the Society's constitution and by-laws the experiment was to maintain its communal organization for six years, but by 1859 the coöperative features of the venture came to an end. The fifty \$2,000 shares were purchased by forty-six Germans—thirty-seven were residents of San Francisco and nine of Los Angeles—many of whom, according to

¹ Charles Kohler, "Wine Production in California" (MS, 1878), p. 6, in the Bancroft Library of the University of California.

² Lucile E. Dickson, "The Founding and Early History of Anaheim, California," *Annual Publications of the Historical Society of Southern California*, 1919, vol. xi, p. 27; Major Ben C. Truman, *Semi-Tropical California* (San Francisco, 1874), pp. 145-150; *Alta California*, Feb. 21, 1857, p. 2.

³ Los Angeles *Star*, June 2, 1855, p. 211, in the Bancroft Library Collection entitled "Hayes' Agricultural Scraps."

⁴ Hallock F. Raup, "The German Colonization of Anaheim, California," *University of California Publications in Geography*, 1932, vol. vi, pp. 123-146—one of the more thorough accounts of the Anaheim experiment; Charles Nordhoff, *The Communistic Societies of the United States* (New York, 1873), p. 362.

Charles Kohler, were practical viniculturists from the Rhine Valley. The more recent investigations of scholars have proven this statement of Kohler to be entirely wrong. Only one of the original settlers had any grape-growing or wine-making experience. The occupations which the colonists represented—carpenter, watchmaker, blacksmith, engraver, brewer, bookbinder, poet, miller, and musician—were a far cry from practical viticulture.

Since Hansen had been the prime mover and organizer, it was only natural that this “man of keen judgment and remarkable foresight” should be assigned to select the site of the colony, purchase the land, and complete the transfer of title and deed. The by-laws gave Hansen, as supervisor and general factotum, wide powers and unlimited authority over the initial work that was to be undertaken. From the construction of the first fence to the building of the Society’s offices, Hansen was in complete charge.

On September 12, 1857, Juan Pacific Onteverras sold a portion of his *rancho*—1,165 acres—to Hansen and Frohling, as representatives of the Society, for approximately two dollars an acre. A right-of-way, thirty-two feet wide, to the Santa Ana River for an irrigation ditch was included in the deed.⁵ At the time of purchase the only vegetation on this “barren, dry, sandy plain” was cactus.⁶ While the inherent qualities of the soil might be excellent, its barrenness at first seemed portentous. The large turnover of the Society’s stock during the first few years attests to the lack of confidence in the outcome of the venture among some of the shareholders. It must also be noted, however, that to some shareholders the purchase of Anaheim stocks was speculative, and it is impossible to determine, from the evidence available, the percentage of transfer which resulted from each of these elements.

Division of the tract was begun immediately upon securing title. After a preliminary survey, fifty rectangular twenty-acre lots were laid out—one for each shareholder. In addition each member was given a town-site for building a home. Ten lots were set aside in the center of the tract for schools, churches, and other public purposes. Willows, sycamores, and poplars were used to fence off each sub-

⁵ *Alta California*, Sept. 28, 1863, p. 1; Dickson, *op. cit.*, p. 27; “Bancroft Scraps, Agriculture,” in the Bancroft Library of the University of California, vol. iv, p. 748.

⁶ Titus F. Cronise, *The Natural Wealth of California* (San Francisco, 1868), p. 107; “Bancroft Scraps, Counties,” vol. ii, p. 470.

division. While this work was being done, the shareholders, as planned, continued at their various occupations in San Francisco and Los Angeles. Hansen's abilities as an engineer were successfully tested when he directed Indian, Mexican, Chilean, and Sonoran labor in the construction of an irrigation ditch. Providing irrigation was the most immediate problem, since without water it would have been impossible to introduce successful grape culture on such arid land. Water was so important to this area that when the original venture came to an end in 1859, it was only natural that a water company should succeed the corporation.⁷

The Santa Ana River was the source of the Society's irrigation, and in September, 1857, Hansen began work on the canal. Within six months it was completed. The canal was six miles long, eight feet wide, and from two to three feet deep. To prevent excessive evaporation during the hot summers, willows and sycamores were planted on both sides of the ditch. Before setting out the vines it was necessary to fence off the whole tract since cattle and sheep roved the countryside. This was the second most pressing problem, and Hansen solved it with equal alacrity.

The general interest aroused by this experiment caused many Californians, both vineyardists and speculators, to offer as much as 33 per cent above par for a share of Anaheim stock. Hoping to keep out speculators and to restrict the profits to its original investors, the Los Angeles Vineyard Society did not offer any stock for sale. Some stock, however, did fall into the hands of speculators.⁸

Very few members took any part in setting out the first vines. Like all the other work at Anaheim, this was done by Mexican and Indian day laborers under Hansen's direction. In 1858 the first vine was set out.⁹ Within one year eight acres of grapes, averaging between nine hundred and a thousand vines to the acre, were planted on each of the fifty lots. In all, a total of over four hundred thousand vines were set out the first year. The cuttings, almost entirely of the Mission variety, came from the various Los Angeles and Santa Ana vineyards. After eighteen months of arduous work had been done,

⁷ Raup, *op. cit.*, p. 13.

⁸ *Alta California*, Dec. 21, 1857.

⁹ Harris Newmark, *Sixty Years in Southern California, 1853-1913* (2d rev. ed., New York, 1926), pp. 212-213; *Anaheim, Southern California, Its History, Climate, Soil and Advantages* . . . (Los Angeles, 1885), p. 3, in the Bancroft Library Collection entitled "Orange County Pamphlets."

the Sacramento *Daily Union* noted the irrigation canal, the fence, and the half-million vines planted as among the greatest agricultural achievements ever performed in California.¹⁰ Undoubtedly it was the most extensive attempt at viticulture undertaken in the State to that time, and as a strictly coöperative settlement of agriculturists it was certainly unique.

The scarcity of labor, cuttings, and building materials made such a large-scale operation expensive. By the end of two years approximately sixty thousand dollars had been spent on labor and improvements. The weekly expenses for labor alone amounted to over three hundred dollars. From 1857 to 1859 the Society paid \$20,000 for 22,789 days of field labor.¹¹ Non-European labor was paid between 50 and 75 cents a day. The result of this initial outlay of money was to impress upon the settlers the necessity of frugality, and for several years the German vineyardists struggled with a considerable debt.

Increasing difficulties, discord among the shareholders, and the lack of confidence in Hansen's work and policies brought about a distribution of the common property in 1859. While Hansen had done substantial work, the cost of the experiment and the inability of the Society to pay any dividends disheartened some of the members; moreover, the major part of the work had been completed, and the lots and vineyards now required care.¹² The distribution of the vineyard and town lots took place at a drawing held in San Francisco on September 12, 1859. After an estimate of current vineyard prices had been made, the Anaheim lots were appraised at about twelve hundred dollars apiece. To prevent any injustice and to assure an equitable distribution, a common treasury was established. Its purpose was to pay holders of lots valued at less than the estimated average the difference in cash, while those who drew lots valued at more than twelve hundred dollars were to pay the difference to the treasury. The lottery was an attempt to give to each shareholder the equivalent of twelve hundred dollars. Once the distribution of lots had

¹⁰ Sacramento *Daily Union*, Mar. 19, 1859, p. 8; San Francisco *Evening Bulletin*, Feb. 5, 1858, p. 3.

¹¹ *Southern Vineyard*, Dec. 22, 1859, p. 2, contains an itemized account of the Society's expenses between Sept., 1857, and Sept., 1859. Use of this newspaper was made available through the courtesy of the Henry E. Huntington Library and Art Gallery, San Marino, California.

¹² "Bancroft Scraps, Counties," vol. ii, p. 483; Nordhoff, *op. cit.*, p. 363; Raup, *op. cit.*, p. 131.

been completed, the Los Angeles Vineyard Society sold its other property and effects to the Anaheim Water Company; with this action the coöperative features of the enterprise came to an end. Before passing totally out of existence the Society was able to pay a dividend of over one hundred dollars to each stockholder. This brought the cost of an individual subdivision down to a trifle over a thousand dollars - a nominal sum for a vineyard of eight thousand vines and a town-lot 150 by 200 feet. The investors assumed individual control of their vineyards on December 15, 1859.¹³

The Germans who had founded and settled Anaheim came from all parts of Germany except its eastern border. They had one thing in common, however, in that they were all poor. Only upon settlement in California did the idea of a coöperative wine colony originate. When the first settlers arrived in 1859 they found a "crude frontier settlement." The immediate problem they faced was to establish some form of community life. Once this had been accomplished, the colonists planted the remainder of their lots in vines, and in 1861 they harvested their first crop - five hundred pipes of wine (about seventy thousand gallons) valued at nearly \$23,000.¹⁴

Despite the desire of the original stockholders to restrict the number of settlers, the colony grew to nearly twelve hundred in little more than a decade. To satisfy the needs of a growing population fifteen hundred acres more were acquired in the early 'seventies, the greater portion of which was planted in wine grapes.¹⁵

The first decade found the vineyardists of Anaheim faced with serious problems, the most pressing of which was the difficulty of making and selling their wine at a profit. While production increased from nearly seventy thousand gallons in 1861 to over six hundred thousand gallons in 1868, the marketing of the wine presented obstacles not easily surmounted.¹⁶ The inferior wine produced from the Mission variety, as well as the trial-and-error methods of Anaheim

¹³ *California Farmer*, Dec. 23, 1859, vol. xii, p. 153; "Baneroft Scraps, Counties," vol. ii, p. 483.

¹⁴ "Baneroft Scraps, Agriculture," vol. iv, p. 748; *Southern Vineyard*, Dec. 22, 1859, p. 2; *Alta California*, Sept. 28, 1865, p. 1.

¹⁵ "Baneroft Scraps, Counties," vol. ii, p. 470.

¹⁶ John F. Carr, *Anaheim: Its People and Its Products* (New York, 1869), p. 3, in the Baneroft Library Collection entitled "Wines and Viniculture in California." Wine-production statistics between 1860 and 1869 may be found in *Alta California*, Sept. 28, 1865; in "Baneroft Scraps, Counties," vol. i, pp. 363, 393, and vol. ii, p. 483.

production resulted in a wine too strong to be agreeable. The bad reputation of California wines generally added to the difficulty of selling the Anaheim product, while the San Francisco market was too far away and transportation too expensive for profitable exploitation. The distance from San Francisco and the inconvenient, limited, and expensive freight facilities were the most important determinants of the success of the first decade.

The extent of the grape acreage and the productivity of vine and soil had by 1860 made Anaheim one of the leading viticultural areas of California. While this product was almost entirely purchased by Kohler & Frohling, wholesale and retail wine distributors of San Francisco, it was considered impossible for the vineyardists to continue to depend upon any one firm for their market. This attitude, and the evident necessity of some form of reliable transportation between San Francisco and the new township of Anaheim created in December, 1860, resulted in the establishment of the Anaheim Lighter Company--a firm whose specific purpose was to build a wharf and port for the community. The Anaheim Landing, as the wharf became known, was completed in October, 1864.¹⁷ A twelve-mile road from the center of the town was built to the wharf. The slough at low tide was seven feet deep and able to accommodate small ships. With coast steamers stopping here weekly, the transportation problem was partially solved, but it remained critical until the railroad was established in 1874 and 1875.

In its early coöperative origins, Anaheim adumbrated the future large-scale coöperative development of California viticulture. At the same time, the Anaheimers illustrate the rôle of the petty capitalist in agriculture. Seldom willing to surrender management to others, he is the classic champion of economic independence. The Anaheim share owners soon divided the land and took over the management of grape-growing and wine-making on their individually owned acres. Until 1884, when a mysterious vine disease killed nearly all their vines, the petty capitalist farmers prospered and increased their acreage. The importance of Anaheim goes beyond its immediate history; it is a significant part of the development of commercial agriculture in California.

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¹⁷ Dickson, *op. cit.*, pp. 31-32; Raup, *op. cit.*, p. 130.

Wells, Fargo & Company: The First Half Year

By the end of 1852, six months after the establishment in San Francisco of the principal office, Wells, Fargo & Company had spread its express and banking services well into California's gold-mining country. The most tangible evidence of the organization's growth was the rise in value of its gold shipments to New York. The first shipment, which left San Francisco on July 31 aboard the Pacific Mail Steamship *Oregon*, crossed the Isthmus of Panama, and was taken up the eastern coast of the continent aboard the United States Mail Steamship *Ohio*, amounted to only \$21,717. The year's last shipment, almost tripling the first, was \$61,615. The largest was sent on December 1 and amounted to \$68,735. Total shipments by Wells, Fargo & Company for the five-month period between July 31 and the end of the year were \$312,492. San Francisco's largest banking firm, Page, Bacon & Company, shipped during the same period \$6,313,986, and Adams & Company, competitor of Wells, Fargo & Company in the express and banking business, \$5,542,000.¹

Of the more than two hundred million dollars' worth of gold produced in California since the arrival of the forty-niners, most had come from the Mother Lode belt.² This is a strip running in a general north-to-south direction along the western foothills of the Sierra Nevada range. It extends roughly from Mariposa at the south, through the towns of Sonora, Mokelumne Hill, Placerville, Auburn, Marysville, and Nevada City, to Sierra City at the north. Beyond this section many miners had gone northward into other gold-bearing regions around Shasta City and Yreka, along the Trinity and Klamath rivers, and into southern Oregon.

During its first six months of operation, Wells, Fargo & Company began a steady expansion of service into these areas, independently

¹ These figures are taken from lists of treasure shipments published every Steamer Day in the San Francisco *Alta California*. Ten regular shipments were made at semi-monthly intervals during the period from July 31 through December 31, 1852. No figures are given for Wells, Fargo & Company on three occasions, probably indicating that no shipments were made.

² From a geological point of view, the Mother Lode is a narrow, gold-bearing vein at the center of the area described. Popularly, however, the entire belt is called the Mother Lode.

in some cases, and in others by arrangement with existing companies. Shortly after the opening of its principal office in San Francisco in July, the company established agencies in Sacramento, central inland supply center for the mines, and Marysville, chief trading point for the northern Mother Lode. At the end of that month arrangements were made with Hunter & Company, which had headquarters in the town of Placerville near the center of the gold belt, to handle Wells, Fargo & Company's express, mail, and exchanges in El Dorado County.³

Service was next extended to Placer County, directly to the north of El Dorado. Gregory's express, established in 1850 to handle packages, letters, gold dust, and bills of exchange, abandoned its Placer County service late in the summer of 1852 in the face of having its drafts protested and some of its connecting express lines withdrawn.⁴ In August, Wells, Fargo & Company moved in, taking over routes and agencies established by Gregory.⁵

John Q. Jackson, Gregory's agent at Auburn, in Placer County, became Wells, Fargo & Company's agent there. In a letter to his brother dated October 23, 1852, he explained why he had made the change:⁶

Mother says rolling stones gather no moss—but whether they do or not I am always going to roll when the “ship is about to sink” and rolling will save me. Gregory had a large amount of drafts protested which has nearly ruined him and his business—he is now engaged in a law suit with his New York Agts in regard to their protesting his drafts when they had funds of his in their hands sent to meet them when presented—how it will terminate I don't know but I do know that by the change I have made it is a great advantage to me. As our business has increased five fold since the change has been effected.

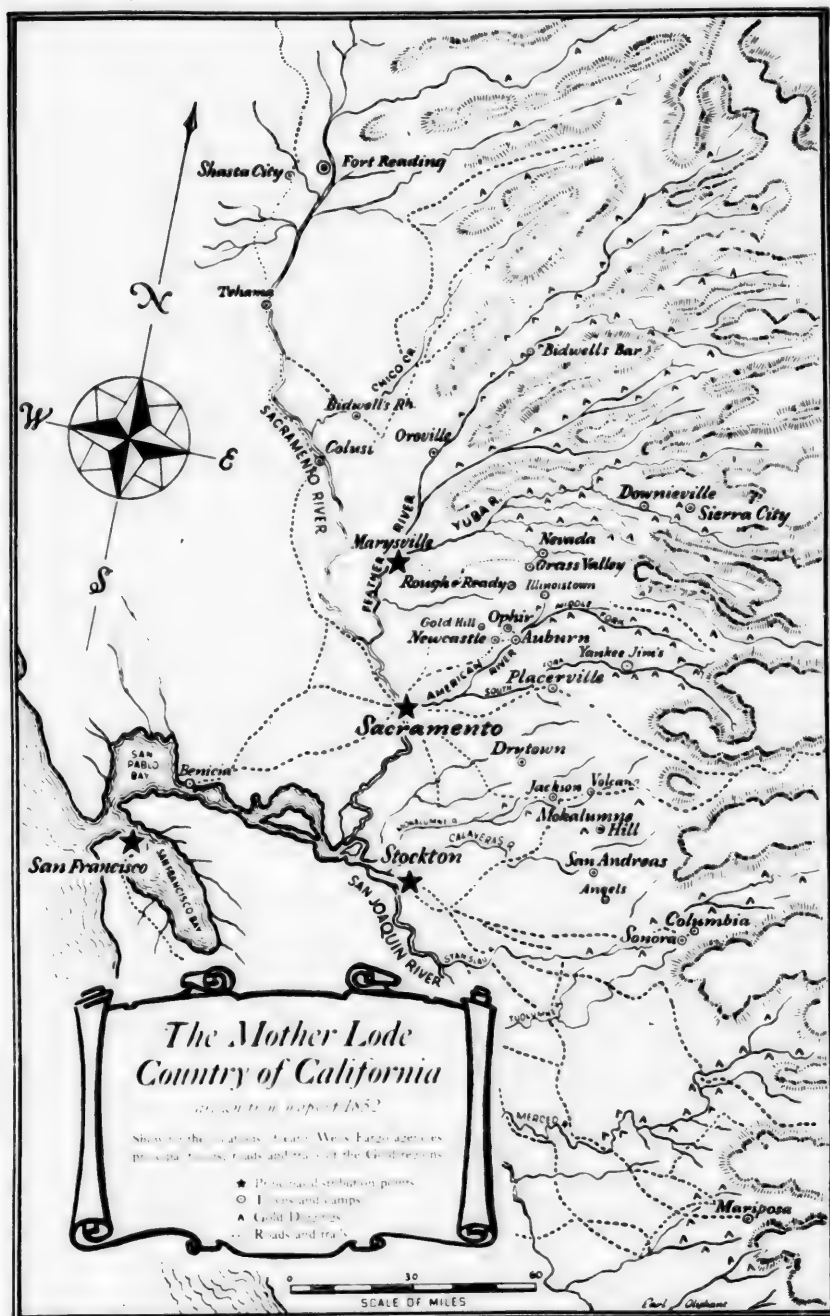
On September 1, announcement was made of arrangements between Wells, Fargo & Company and Rhodes & Lusk's Shasta Express,

³ See Ruth Teiser and Catherine Harroun, “Origin of Wells, Fargo & Company,” BULLETIN OF THE BUSINESS HISTORICAL SOCIETY, June, 1948.

⁴ Ernest A. Wiltsee, *The Joseph W. Gregory Express, 1850-1853* (Federalburg, Md., 1937; American Philatelist Handbook, Series 1937, No. 1); and Ernest A. Wiltsee, *The Pioneer Miner and Pack Mule Express* (San Francisco, Calif., 1931), pp. 57 and 64.

⁵ A poster in the Wells Fargo history collection (Wells Fargo Bank & Union Trust Co., San Francisco) announcing Wells, Fargo & Company's Placer County service, hereafter dealt with at greater length, is dated Aug. 25, 1852.

⁶ The manuscript letters of John Q. Jackson are in the Wells Fargo history collection.



which served the northern part of California and southern Oregon. Henceforth, according to the initial advertisement, Rhodes & Lusk would connect "at Marysville and Sacramento with Wells, Fargo & Co's daily Express to San Francisco, and semi-monthly to the Atlantic States and Europe."⁷

At about the same time Wells, Fargo & Company arranged with Todd's Express, which maintained headquarters at Stockton, trading center for the southern Mother Lode area, for service into that section. Todd had had an office in San Francisco with Gregory. However, on September 4, 1852, the Stockton *San Joaquin Republican* noted that he had "removed his express office in San Francisco to the new brick building of Wells, Fargo & Co." This probably marks the beginning of arrangements between the small, well-established organization⁸ and the eagerly expanding new one. In an October Wells, Fargo & Company advertisement which listed all services established by that month, notice was given that "Todd's Express for Stockton, Sonora, Mokelumne Hill, Mariposa, and all the principal Camps in the Southern Mines, is dispatched daily from our office in San Francisco."⁹

In addition, Wells, Fargo & Company was running its own routes into Nevada County, directly to the north of Placer County. The October advertisement stated that "A *Daily Express* is sent from our office in Sacramento, to Rough and Ready, Grass Valley, and Nevada [City]."

By that same month regular semi-monthly service to Oregon by the Pacific Mail Company's steamers had been established,¹⁰ and a Portland agency appointed. The Portland *Oregonian* of October 2 carried an announcement that "W. H. Barnhart & Co are agents for Wells Fargo & Co's Express."

In December another route was established with the inauguration of service to New Orleans. Beginning with the December 1 sailing of the Pacific Mail Steamship *Panama* and thereafter on every regular

⁷ *My Playhouse Was A Concord Coach* (Oakland, Calif., 1942), compiled by May Helene Bacon Boggs, p. 137. The advertisement quoted was taken from the Marysville *Herald* of Sept. 11, 1852, but the date of original insertion is given as September 1.

⁸ Todd's claim to having been the first regular expressman in California is credited by most historians. His company was purchased by Wells, Fargo & Company in Sept., 1853.

⁹ *The San Francisco Directory for 1852-53* (San Francisco: James M. Parker, 1852), facing p. 102.

¹⁰ *The San Francisco Directory*, loc. cit.

semi-monthly sailing, express was dispatched for New Orleans "through to Aspinwall [on the east coast of Panama] in charge of our regular messenger, and thence by U. S. mail steamer."¹¹

The most complete description available of an early Wells, Fargo & Company agency is that of the office at Auburn, seat of Placer County. In 1852 Placer County had a population of 10,784.¹² Most of the adult men were miners, although trade and agriculture each accounted for a portion of the working population. Ophir, briefly swollen as a result of local gold discoveries, was in that year the largest town. Auburn was second in size. A poster advertising Wells, Fargo & Company's "Placer County Branch," dated August 25, 1852,¹³ lists three offices: Ophir, Auburn, and Yankee Jim's. By December three more had been added: Gold Hill, Illinoistown, and Newcastle.¹⁴

John Q. Jackson, the agent at the Auburn office, had come to California from his native Virginia in 1849 as a youth of eighteen. After trying his hand at mining, trucking, and storekeeping, considering becoming a postmaster, and traveling over a good portion of the central Mother Lode country, he settled down in Auburn as Gregory's agent. He was twenty-one when he made the change to Wells, Fargo & Company. His letters to his family show him to have been an intelligent and conscientious young man—not so mature, however, but that he was pleased with himself at having done well at an early age, and not too sophisticated to write his family quite candidly about his success. In a letter to his brother, dated October 23, 1852, he explained:

The business I am engaged in requires my whole attention and is far beyond my years—I might have staid in Virginia till I was as old as Mathusalem (or some such name) and never had \$1000 entrusted to me or been worth any thing myself, while here I have charge of a large Express Office and Banking house. This is a responsible position and one, by which, in my good management of business and conduct, I have gained the utmost confidence of the "Heads" of the Concern in San Francisco & Sacramento. What I have to do is quite confining—staying in my office all day till 10 at night buying dust, forwarding & receiving packages of every kind, from and to everywhere—filling out drafts for the Eastern mails in all sorts of sums, from \$50 to \$1000

¹¹ San Francisco *Alta California*, Nov. 27, 1852.

¹² State of California, *Governor's Message and Report of the Secretary of State on the Census of 1852*. (Senate Document No. 14, Session of 1853. [Sacramento]: George Kerr, State Printer, 1853.)

¹³ See footnote 5.

¹⁴ Advertisement, *Sacramento Union*, Dec. 22, 1852.

and drawing checks on the offices below, when men wish to take money to the cities, as it is a great convenience to them to have a check instead—and it saves us the trouble of shipping coin up from below for purchasing [gold] dust—I have just come from the Post Office, from which I have got 100 letters to be forwarded to the different parts of the country to which they are ordered by Express, on these I make \$25 as my charge on each is 25c—this comes around twice a month and I generally get out about a dozen 3 times a week besides—letters from within the state—this alone pays quite a sum—nothing like my expenses however, as they are necessarily heavy, but not so heavy but that they leave me a handsome sum each month on all my income . . . all my letters on business are to be written always five or six each night and the same number during the day. The Gold dust bought during the last two days is to be cleaned, weighed, sealed and packed ready to be forwarded in the morning—My books balanced—letters to be sorted for the different offices to which they are to be forwarded—a list made of those received from Sacramento to day—and bundled for the river messenger who leaves at Daylight.

In a letter to his father, written on October 14 of that year, he explained another aspect of his business:

My position throws me in contact with the heaviest business men of the state—Bankers, Lawyers, Judges, Merchants & all do business through us. I received a few days since from San Francisco a contract between two parties, for settlement, one of the parties is here having left New York under obligations to give one third of his net profits in this country while he remained here, not less than eighteen months—he has made five or six thousand dollars but being a very slippery fellow has all his funds in money and cannot be brought to any thing like reasonable terms, the party owning the third has given me instructions to let him off at \$1000 if he will pay no more. He is very willing to pay this but I am holding off as I think that more can be got out of him after a while. I am going to be well paid for my services as the case is left wholly to my judgment to make such terms as I think advisable—even less than \$1000. In a few days I will close the matter and will no doubt give all concerned satisfaction. This kind of business I have a good deal of to do and have now on hand over \$3000 in notes for collection to be forwarded through express to all parts of the country.

Services to the public advertised by the "Placer County Branch" poster may be considered typical of the company's functions from this early period onward. "A *Banking and General Forwarding Business* on the most extensive and liberal scale" was offered. Specifically, the customer could obtain "Sight Bills of Exchange" payable at any one of fifty-three designated cities and towns in the eastern part of Canada and the United States. He could have gold dust and bullion forwarded "under insurance to all parts of the United States and Europe." He could purchase Livingston, Wells & Company's drafts on Europe and Rothschild's on Europe and South America. He could

procure checks on any Wells, Fargo & Company office in California. He could avail himself of services for "Collection of Bills, Notes, &c., by suit or otherwise." He could have his letters called for at the post office at Sacramento, San Francisco, Auburn, "or from any Express or Post Office in this State, Oregon, or the Sandwich Islands" and delivered to him at his mining camp—a most useful service to the average miner who was unable to keep his family in the East apprised of his many changes of address. From him the company's offices would receive "General or Special Deposits" and keep them "in Fire-Proof Safes at customary rates," those rates being usually 1/2 per cent per month paid by the depositor on general deposits and 1 per cent on special. In addition, Wells, Fargo & Company would advance money to him on his gold or buy it from him outright.

These services were designed for the miner living in an isolated camp and needing an all-around banking, business, transportation, and communication agent, and for the business man as well.

* * * * *

Three important events affecting California late in the year 1852 were the hotly contested national election, the fire which burned a large part of Sacramento's business section, and the disastrous floods which lasted through the winter into 1853. Through rendering public service in connection with each of these, Wells, Fargo & Company gained valuable prestige and good will.

Sacramento's fire and the nation's election occurred on the same day, November 2. The fire, which broke out in a millinery shop in the little city's crowded commercial area, destroyed more than 1,600 buildings; total damage was estimated at about \$5,000,000.¹⁵ Wells, Fargo & Company's office was burned.¹⁶

Immediately money was raised for the relief of the damaged city. Wells, Fargo & Company both collected subscriptions and made contributions to the fund. It also carried bundles of clothing to the needy citizens.¹⁷

¹⁵ Hubert Howe Baneroff, *History of California*, vol. vi (San Francisco, 1888), p. 457.

¹⁶ The company's advertisement did not appear in the Sacramento papers from the day of the fire until November 27. Its office had formerly been located at 45 Second Street. Now the address was given as "Tehama Block, J Street" (Sacramento *Union*, Nov. 27, 1852).

¹⁷ San Francisco *Alta California*, Nov. 5, 1852; Sacramento *Union*, Nov. 6 and 7, 1852.

In the national elections of 1852 the presidential contest was between the Whigs' candidate, Winfield Scott, and the Democrats' candidate, Franklin Pierce, and the latter won by only a small majority of popular votes. California reflected the nation's interest. Campaigning and voting were spirited, and election results were anxiously awaited. Wells, Fargo & Company's messengers made valuable friendships for the firm by carrying news of California voting results. The *Alta California*, the state's best-established news source, acknowledged, in its edition of November 5, the receipt via Wells, Fargo & Company of "carefully prepared special returns" from the comparatively heavily populated Placer, Yuba, El Dorado, Sutter, Yolo, Colusa, Butte, and San Joaquin counties.

Early in December news arrived from the East of the results of the entire nation's voting. It contained the information that Edwin B. Morgan had been elected to Congress from Cayuga County, New York.

"Edwin B. Morgan," the *Sacramento Union* noted, on December 7, "... is the President of the Express Company of Wells, Fargo & Co., which express, by the way, has won considerable credit by its rather speedy delivery of the election news."

The heavy floods which started in November of 1852 increased in intensity until by January of 1853 the Sacramento River had risen twenty-two feet above low-water mark at the town of Sacramento.¹⁸ Transportation to the mining camps in the foothills became all but impossible over the inundated roads. Some camps were cut off from supplies for weeks at a time, and the price of bread was said to have risen occasionally to a dollar a loaf. Throughout, Wells, Fargo & Company carried on as best it could and achieved a much desired goal when it received the following accolade from the editors of the *San Francisco Herald*:¹⁹

It is only during such tempestuous weather as that of the past few weeks that our people can fully appreciate the services of the admirable express lines that have their center in this city and radiate to all parts of the state and world. The roads throughout the interior have become almost impassable morasses, rivulets have swollen to rushing streams and brooks to roaring torrents. Yet in the face of the obstacles and beset by the pitiless storm the energetic and ever faithful expressman plunges forward on his mission bearing to the miners in the most remote ravines tidings of their families and friends far away and returning with their budget of news collected from every quarter

¹⁸ Bancroft, *op. cit.*, vol. vi, p. 458.

¹⁹ Dec. 17, 1852.

of the state. The recent important intelligence of the presidential election gave opportunity for the display of great enterprise and daring on the part of the various companies here. Wells, Fargo, a firm which has gained rapidly in public favor and is now fully and successfully established, made extraordinary exertions to supply the press here with the first news,—they succeeded—In addition, they are very prompt and often in advance in furnishing us with news from the most remote towns of the interior.

Thus, by the end of 1852, Wells, Fargo & Company had organized remarkably extensive operations, established itself as an agency of both public and private service, and started to take its part in the life of the growing West.

RUTH TEISER

CATHERINE HARROUN

Wells Fargo Bank & Union Trust Co.
San Francisco

Survey of the Teaching of Business History

In the April, 1948, issue of the BULLETIN, Dr. Charles J. Kennedy outlined a new course in the "Evolution of Business and Capitalism" at the University of Nebraska. This article provoked so much interest among various students of business history that we were prompted to solicit information from other colleges and universities in the country. The results have been gratifying, and we are pleased to report that there are at least fifteen schools in the United States where Business History, or a closely allied course, is being taught. There may be still others of which we are not aware, and in that event we should like very much to hear from them.

Below are listed the courses given at the various colleges and universities with data about them obtained from the schools.

Alfred University, Department of Business, Alfred, New York

Title of course: American Business History.

Text used: *Casebook in American Business History*, by Gras and Larson.

Name of Instructor: Henry C. Langer, Jr.

Length of course: One semester.

Course first offered: 1947.

Average number of students: 8-10.

Level of students eligible to take the course: Seniors.

Catalogue description of course: A series of case studies of business enterprises from Colonial to modern times. Emphasis will be placed on an examination of the factors contributing to their success or failure.

University of Arkansas, College of Business Administration, Fayetteville, Arkansas

Title of course: Business History.

Text used: *Business and Capitalism*, by Gras; *Casebook in American Business History*, by Gras and Larson.

Name of Instructor: John Clark, Jr.

Length of course: One semester—3-hour course.

Course first offered: In present form, 1948. A course in Business History using *Business and Capitalism* but not the *Casebook* was offered in 1946.

Average number of students: 42 (at present time).

Level of students eligible to take the course: Junior standing.

Catalogue description of course: Business History. Prerequisite: Economics 203. General History of the development of business. An analysis of origin and use of business organizations, forms, and practices. Prominent business leaders illustrative of petty, mercantile, industrial, and financial capitalism.

The City College of New York, School of Business and Civic Administration, New York, New York

Title of course: History of American Business Enterprise.

Text used: *Casebook in American Business History*, by Gras and Larson; *The Growth of the American Economy*, edited by Harold F. Williamson; plus supplementary readings.

Name of Instructor: Sidney I. Pomerantz.

Length of course: One semester—3-hour course.

Course first offered: Fall Term, 1947.

Average number of students: 15 (originally) to 32 (at present).

Level of students eligible to take the course: Upper classmen (juniors and seniors).

Catalogue description of course: The rise of American business enterprise is related to the main stream of American history from the Colonial period to the present day. Attention will be given to a study of representative mercantile, industrial, banking, insurance, and retailing firms and the part played by the business man in their development. Such political, economic, social, and ethical factors as determine business policy and growth will be examined.

Cornell University, School of Business and Public Administration, Ithaca, New York

Title of course: Economic and Business History.

Text used: *Casebook in American Business History*, by Gras and Larson; plus monographic readings.

Name of Instructor: John G. B. Hutchins.

Length of course: Two semesters: 1750-1860 and 1860-1940.

Course first offered: 1946-47 (at the same time that the School of Business and Public Administration began to function).

Average number of students: 30-60.

Level of students eligible to take the course: Seniors and graduates.

Catalogue description of course: A study of the evolution of economic structure, business organization and practices, and national economic policies in Europe and America. Analysis of primary economic changes. Case studies of selected enterprises, involving critical analysis of business policies in the light of contemporary economic conditions.

Harvard University, Graduate School of Business Administration,
Boston, Massachusetts

Title of course: Business History.

Text used: *Casebook in American Business History*, by Gras and Larson; plus additional cases and supplementary readings.

Name of Instructor: N. S. B. Gras.

Length of course: One semester.

Course first offered: 1928-29.

Average number of students: 80-100.

Level of students eligible to take the course: Graduates.

Catalogue description of course: The purpose of this course is to provide the student with a broad point of view and a mature perspective, qualifications that are needed in appraising current conditions and developing a plan of action. Most of the problems that loom large today have existed in the past in one form or another, and the student who wishes to understand them can benefit from the experience of other generations. The past is studied for the light that it throws upon the present and the future.

Indiana University, School of Business, Bloomington, Indiana

Title of course: Business History.

Text used: *Casebook in American Business History*, by Gras and Larson; plus additional reading.

Name of Instructor: L. L. Waters.

Length of course: One semester—2-hour course; perhaps 3-hour course next year.

Course first offered: 1948-49.

Average number of students: 22-32.

Level of students eligible to take the course: Seniors.

Catalogue description of course: Not listed as yet.

University of Minnesota, College of Science, Literature, and the Arts,
Department of History, Minneapolis, Minnesota

Title of course: Business History.

Text used: *Economic History of Europe*, by Herbert Heaton; *The Economic Development of Society*, by Modlin and DeVyver; plus varied selected readings from books or from mimeographed material.

Name of Instructor: Herbert Heaton (supplemented by three quiz sections weekly handled by instructors).

Length of course: Two quarters (about 23 weeks in all).

Course first offered: In expanded two-quarter form, 1948-49.

Average number of students: 450.

Level of students eligible to take the course: Freshmen and sophomores.

Catalogue description of course: Economics 1 and 2.

University of Nebraska, College of Business Administration, Lincoln,
Nebraska

Title of course: Evolution of Business and Capitalism.

Text used: *Casebook in American Business History*, by Gras and Larson;
Business and Capitalism, by Gras; plus a workbook.

Name of Instructor: Charles J. Kennedy.

Length of course: One semester.

Course first offered: Summer school, July-August, 1947. Prior to that date it was a survey course in the economic history of England and the United States.

Average number of students: 400-500 (there are fewer veteran students in the freshman courses this year than last year. Consequently, most members of the class are less mature. Their interest in the subject is just as keen, however).

Level of students eligible to take the course: Freshmen.

Catalogue description of course: Economics 2. The Evolution of Business and Capitalism—development of business and the capitalist system of production in the various stages of petty, mercantile, industrial, financial, and national capitalism. Emphasis is upon American development. For freshmen only or by permission of instructor.

New York University, Washington Square College of Arts and
Sciences, Graduate School of Business Administration, New
York, New York

Title of course: History of American Business.

Text used: *Casebook in American Business History*, by Gras and Larson; plus outside reading.

Name of Instructor: Thomas C. Cochran (now on leave of absence). Herman Krooss (current instructor).

Length of course: Two semesters.

Course first offered: 1944-45.

Average number of students: 45.

Level of students eligible to take the course: Graduates only.

Catalogue description of course: A study of the history of American business organization and practice from the Colonial period to the present day. The evolution of internal problems connected with personnel relations, company morale, and efficiency in management are traced and illustrated by the histories of successful companies and executives. The fundamental rôle of business in shaping American social mores is emphasized, as well as the reverse effect of the environment on business habits.

Northwestern University, School of Commerce, Evanston, Illinois

Title of course: American Business History.

Text used: *The Rise of American Economic Life*, by A. C. Bining.

Name of Instructor: Richard C. Overton, with the aid of an assistant professor and an instructor.

Length of course: Full academic year—three lectures and one discussion meeting per week.

Course first offered: 1945-46.

Average number of students: About 250.

Level of students eligible to take the course: Freshmen (required course).

Catalogue description of course: After a preliminary examination of the nature and techniques of business history, the influence of geography on business history is considered. The European roots of modern business in the sixteenth and seventeenth centuries complete the background for a chronological analysis of the development of business in the United States, including: mercantilism in the Colonies, the economic aspects of the Revolution and the Constitution, the rise of the factory system, the economic aspects of the Revolution and the Civil War, the agrarian revolt, beginnings of government regulation of business, economic imperialism, economic aspects of World War I, the 1920's, economic collapse and the New Deal, world economic relations.

University of Oklahoma, College of Business Administration, Norman, Oklahoma

Title of course: History of Business Management.

Text used: *Casebook in American Business History*, by Gras and Larson; plus assigned readings.

Name of Instructor: Ronald B. Shuman.

Length of course: One semester.

Course first offered: 1946-47 (second semester)—since then it has been offered during the first semester of each school year.

Average number of students: 26-30.

Level of students eligible to take the course: Seniors and graduates.

Catalogue description of course: Business history, with special reference to the development of management in the United States; development of enterprises, management theory and technique; the place of invention and research; regional business economics; case problems in individual industries and personalities.

San Francisco State College, History Department, San Francisco, California

Title of course: History of Business.

Text used: *Business and Capitalism*, by Gras; *Casebook in American Business History*, by Gras and Larson (in part); *Age of Enterprise*, by Cochran and Miller (in part).

Name of Instructor: Gerald T. White.

Length of course: One semester.

Course first offered: Spring, 1947.

Average number of students: 30.

Level of students eligible to take the course: Upper division.

Catalogue description of course: A study of the growth of business enterprise in the nation and its economic, social, and political consequences.

University of South Dakota, School of Business Administration,
Vermillion, South Dakota

Title of course: American Business Development.

Text used: *Economic History*, by Faulkner; with additional assignments and lectures.

Name of Instructor: R. F. Patterson, with the aid of an assistant for quiz sections.

Length of course: Two semesters (2 hours each semester).

Course first offered: 1947.

Average number of students: 150.

Level of students eligible to take the course: Freshmen (pre-business students).

Catalogue description of course: The course attempts to trace the origin, development, and modification in free-enterprise capitalism. An historical background is used. During the first semester the story is carried to 1870; during the second semester from 1870 to the present.

University of Southern California, General Business Department,
University Park, Los Angeles, California

Title of course: History of Business.

Text used: *Casebook in American Business History*, by Gras and Larson; plus supplementary assigned readings.

Name of Instructor: H. Lawrence Wilsey.

Length of course: One semester.

Course first offered: Fall, 1948.

Average number of students: 60.

Level of students eligible to take the course: Juniors and seniors and graduates.

Catalogue description of course: The history of business studied for the light it can throw on current business problems and the aid it can give in prediction. Areas of experience studied are the dynamics of great careers and notable companies.

Temple University, History Department, Philadelphia, Pennsylvania

Title of course: Business History.

Text used: *Business and Capitalism*, by Gras; plus supplementary readings.

Name of Instructor: Robert Miller.

Length of course: One semester.

Course first offered: 1948.

Average number of students: 6 (has only been given one semester).

Level of students eligible to take the course: Those who have completed the survey course.

Catalogue description of course: The effect of the business man and his activities on the development of world history. Ancient, mediaeval, and modern illustrations will be discussed. Stress will be placed on a comparison of the earlier European business activity with that of modern America.

As you will note from the above, all but one of these courses were started after World War II. Some lean toward the economic aspect, while others stress the business aspect of the field. For instance, Professor Heaton's course at the University of Minnesota is listed in the college catalogue as "Economics 1 and 2" even though the title is "Business History." Professor Overton at Northwestern also stresses economic history in his course for freshmen, but he intends to start a course in business history for more advanced students in the near future. Professor Shuman at the University of Oklahoma states that his course stresses management. Professor John G. B. Hutchins at Cornell writes that his former course in economic history (given prior to the War) has already become amalgamated with the present course in business history. Even now, however, the course apparently operates essentially in the area of applied economics.

From the data compiled it is interesting to note that the case method of teaching is used in eleven of the fifteen reporting colleges. (The *Casebook in American Business History* is also used in various other courses not called Business History or even Economic History.) It is also significant that the cases assigned to the undergraduate classes are those which are either passed over or omitted at the graduate level of instruction. For instance, at the University of Southern California, College of the City of New York, and Indiana University the undergraduates study the following cases (to name a few): The Massachusetts Bank, 1784-1903; The Development of the New York Stock Exchange; Chicago, Milwaukee, St. Paul & Pacific Railroad, 1853-1938; New York Transatlantic Packet Services, 1817-1837; Cincinnati Southern Railway: Struggle between Two Rival Cities for Metropolitan Dominance, 1860-1929; N. W. Ayer & Son, Advertising Agency, 1869-1939; and The International Mercantile Marine Company, 1901-1937; whereas at the Graduate School of Business Administration, Harvard University, where the same textbook is used, these same cases are either passed over or omitted. By reviewing these

various cases one may generalize by saying that the undergraduates are given the economic background, while the graduates are required to be more analytical and specialized.

It is important to bear in mind that these courses are not all alike and that they are approached from various angles. This variation arises partly from the diverse background of the instructors and partly from the type of department in which the subject is given. The *Casebook in American Business History* is used in the majority of colleges which teach "Business History." All classes read the cases assigned; some study the cases for the over-all development of business throughout the centuries; others consider the general atmosphere of civilization and culture as well; and still others grasp the performance of business by studying the cycles and trends.

Despite the fact that Business History is looked on by many as typically a liberal arts course, it is being taught in eleven *business* schools out of the fifteen universities which reported having a course in the subject. Stanford University offers a specialized course in the History of Business in California at the present time, and Professor Coman, who teaches that course, plans to offer another in the history of business sometime in the near future.

That Business History is a growing field is evidenced by the fact that within the past year five universities in different sections of the country have added this subject to their curricula. Many factors are offering new help to students at work in this field. Dr. Kennedy has had requests for examination copies of his syllabus, for guidance in teaching at the freshman level, from the universities of South Dakota and Georgia and from Creighton University. The *Guide to Business History*, by Henrietta M. Larson (published in 1948), is a bibliography that should be useful to all who are interested in the subject. And, for the second time, the Business Historical Society is offering its "Fellowship in Business History" at Harvard, which is designed to prepare men to teach Business History at the college level.

HILMA HOLTON
Harvard University

A History of Pepperell

A Review

When Hamlet said, "Meet it is I set it down," he followed a practice all historians will applaud. For the reporting of information—even as to the state of affairs in Denmark—is a useful procedure for the present and even more helpful for the future. In her account of the growth and development of one of the great textile manufacturing enterprises of the country, Mrs. Knowlton renders both present and future generations a real service.¹ Here is another report of industrial growth in action—a century's span of business adaptation to the changing character of demand and cost.

One cannot, in so short a review as this, report all the major facets of a history such as *Pepperell's Progress*. It contains the customary account of the founding of the concern and the dominance and energy of its first leader, William Dwight, who characteristically (for New England) carried the title of Treasurer. The rôle of the Boston offices versus the resident agent at the mills in Biddeford, Maine, and the critical services of the company's selling agents in Boston are well developed. The succession of executives as the enterprise matured is sketched against the changing character of the business problems—selling, purchasing of cotton, choice of product, replacement of machinery, to name but a few.

Mrs. Knowlton's attitude is detached and her tone moderate. Her familiarity with the company is reflected, one would judge, in a feeling of admiration for its success in adapting itself to new conditions. But there is no evidence of unreasonable adulation or deviation from a scholarly reporting of historical fact. Some slight overtones of enthusiasm came through to this reader in the chapters on expansion in the South, but the matter is relative at best and every author is entitled to his own interpretations.

Mrs. Knowlton writes with a smooth style so that even such stern stuff (Mrs. Knowlton likewise drifts to alliteration) as customer analyses or mill production reports are not too forbidding. It is not

¹ Evelyn H. Knowlton, *Pepperell's Progress: History of a Cotton Textile Company, 1844-1945*, Cambridge, Harvard University Press, 1948.

a sprightly book because it is a record of fact not fancy, an account of the substance of industrial growth and not its romance.

As others besides *Tono Bungay's* Ponderevo have remarked, "It isn't a constructed tale I have to tell, but unmanageable realities." So too with *Pepperell's Progress*. At one point the author writes of buying machinery—"beater-scutchers and lap machines"; at another she presents the interesting record of the succession of wage increases, and decreases, that marked the company's changing wage scales over half a century. Or she writes of the problems of labor supply—the "Yankee workers" of the early days, the French Canadians of later years, the workers of Scotch-Irish descent from the hilly farms of the South. Mrs. Knowlton takes pains to discover and report little bits of evidence of the company's activities. For example, she records that in the workers' contract book used from 1850 to 1854 only 6 per cent of the workers signed with the mark that indicates illiteracy (a figure of 11 per cent comes from the payroll record); twenty years later the figure was 37 per cent as the character of the labor force changed.

The references just made recall the manuscript sources for much of the book: more than 1,000 volumes of records and 70 boxes of unbound material, including the series of letters exchanged daily by Pepperell's treasurer in Boston and the mill agent in Biddeford. In addition to these documents, many published sources were used and these are carefully referenced.

In its broader aspects Mrs. Knowlton's book is a record of business activity in three fields: manufacturing, financing including purchasing, and finally selling. The division of these functions administratively in the textile area is illustrated through the activity of the mill agent in Biddeford, the treasurer in his countinghouse in Boston, and the selling agent in Boston and later New York. The unique contributions of these several functions to the growth of the enterprise are skillfully portrayed. If at points the reader finds that the apparent significance of these developments seems to be forced against a presumed pattern of capitalistic development, he can always quickly get on with the story.

For it is a story that carries its own significance. The author's happy choice of title aptly describes what is a strong element in the fabric of much of American business—the slow, often painful progress through sloughs of despond and over hills of difficulty. A shrewd selection of product, its careful manufacture, its aggressive distribu-

tion, its thrifty financing, all these marked Pepperell's progress as Mrs. Knowlton tells the story. We should be glad she took the pains "to set it down."

CHARLES A. BLISS

Harvard University

The Cravath Firm and Its Predecessors

A Review

This is a valuable compilation of facts about the partners of a great law firm and about the business it has handled. Volume I covers the period up to 1906, Volume II since 1906, and Volume III is made up of pictures of the partners.¹

The Cravath firm was one of New York's big law "factories," like the Stetson firm, the Root firm, and Sullivan & Cromwell. Of course these law firms do not make the laws, but they do help in the process of adjudication and adjustment—through their pleading of cases and advice to clients. Such concerns have risen to do the law work of great corporations. They have been close to the investment banking firms: The Cravath firm has handled much of the business of Kuhn, Loeb & Company and its financial clients.

In these volumes we have a mine of information, carefully compiled, about the organization and reorganization of business concerns. Unfortunately and inevitably there is too little about each transaction. The long treatment of a few companies, such as in the case of Westinghouse and the Metropolitan Street Railway, shows how much more valuable the volumes would have been if the treatment had been generally more selective and qualitative and less encyclopedic and statistical.

The "Cravath System" of managing a law "factory" is set forth in a general way, and its working is here and there illustrated. Whether we are lawyers or not, we cannot fail to find interest in the principles followed, chiefly from 1899 to 1940, the period of Cravath's membership and influence. Members of the firm were not to be taken from other law offices but were to be recruited from law schools, in practice chiefly those at Harvard, Columbia, and Yale. The students with the highest records were favored. Once admitted, the young associate was given a broad training for years before he was encouraged to specialize. There was a careful selection of members who could take full responsibility: often law students of the fairest intellectual pro-

¹ Robert T. Swaine, *The Cravath Firm and Its Predecessors, 1819-1948*, 3 vols. New York, privately printed at Ad Press, Ltd., 1946-1948.

mise could never attain the full stature required of a partner. From 1899 onward, salaries were paid from the beginning of a man's association with the firm, with regular stated increases. No associate was encouraged to remain beyond five or six years unless he was to be accepted as a partner. Associates who did not measure up to the full requirements were continually leaving for other jobs in which they often attained brilliant careers. Partners were not encouraged to have outside interests. There was no written partnership agreement. (The partners would have advised their clients against such a practice.) Cravath was himself the dictator until about 1935. We are not told anything definite about the rewards of the partners or the gross income of the firm. The difficulties of collecting the necessarily high fees, however, are sometimes set forth.

The author is a partner of twenty years' standing in the firm. He mingles his interest in the partners of the firm with political events and, above all, with corporate organization and finance. He quotes hitherto unpublished letters which analyze men and situations in an incisive manner. Would that he had done even more of this!

No student of law firms, corporate law practice, or corporation and financial history can afford to overlook these volumes. In this work we learn how a great law "factory" played an outstanding part in the turbulent growth of big business. The student of business history finds material he has long needed to round out his knowledge of the organization and function of law firms as business auxiliaries, which arose under industrial capitalism, flourished under financial capitalism and now, in our time, promise further growth under national capitalism with its ever increasing regulation and control.

N. S. B. GRAS
Harvard University

Banking in Mediaeval Bruges

A Review

There is an old but erroneous tradition in the Anglo-Saxon countries that banking began in the seventeenth century with the London goldsmiths. In fact, however, banking is much older, having been practised in mediaeval times extensively in Italy, the Low Countries, and Spain. To be sure, mediaeval banking was different from early English and American, let alone modern, banking. Negotiable instruments did not then exist; and book transfers were used where in the eighteenth and nineteenth centuries bank notes served in England and America and checks serve today.

Among the scholars who have thrown light on mediaeval banking and who have helped to explode the myth of banking as an Anglo-Saxon invention, Raymond de Roover, professor at Wells College, holds first rank. His book entitled *Money, Banking and Credit in Mediaeval Bruges*¹ is the subject of this review. A Belgian who came to America about ten years ago, De Roover possesses close familiarity with both European history and languages, a combination which is rare in this country. It predestines him for this sort of research (for which he is further prepared by training in business history), inasmuch as his investigations involved the study of primary archival material in Flanders and Italy, of printed sources in at least four and of secondary materials in even more languages.

Professor de Roover's scholarly and well-written book is important in many respects. In view, however, of the field of interest of the BULLETIN, the reviewer will confine his report to subjects which can be expected to have special appeal to its readers. De Roover shows that banking in mediaeval Bruges was in the hands of three different types of business enterprises. International banking was conducted by Italian merchant bankers, i.e., business men who practised trade in both merchandise and money. These foreigners were superior to the native merchants because of the rapid advances in Italian business in early mediaeval times. The firms in question were organized as one-man enterprises or partnerships of which there were two types: an older one, partnerships with branches, run by employees (factors);

¹Cambridge: The Mediaeval Academy of America, 1948.

and a younger one, groups of partnerships, coördinated by identical senior partners in the home town but administered by different junior partners, residents of the places in which the branches were located. This type of business organization proved to be so well adapted to conditions of slow transportation and communication that it survived into the late nineteenth century. In America it was especially popular with private bankers; the House of Morgan, for example, was so organized and consisted by 1880 of Drexel, Morgan and Company, New York (later J. P. Morgan and Company), Drexel and Company, Philadelphia, J. S. Morgan and Company, London, and Drexel, Harjes and Company, Paris. The coördinating senior partners were first Junius Spencer Morgan, then Anthony J. Drexel, and finally J. P. Morgan, whose position relative to their concern corresponded to that of the great Medicis in their enterprises in the fifteenth century.

The most important tool of the early merchant bankers was the bill of exchange. As De Roover shows, there existed only foreign bills of exchange; they were not negotiable, the first known negotiable bills dating from the early seventeenth century. Mediaeval bills of exchange were not drawn by the exporter on the customer, but by the principal on his agent, for the common method of the period was sale on consignment, not sale on advance order. They became more and more important as our civilization progressed, until in the eighteenth and early nineteenth centuries they reached the peak of their importance, much of which they were to lose again in a later stage of development. In mediaeval times finance bills existed besides bills resulting from commodity transactions. Moreover, the instrument was occasionally abused in spurious exchange transactions in order to conceal interest under the cloak of exchange. (Incidentally, this was a common method in America prior to Civil War days when legal interest rates existed in all American States, with the only difference that here spurious domestic exchange transactions took place instead of the mediaeval spurious transactions in foreign exchange.) Since the Church forbade the taking of interest ("usury"), bills of exchange could not be discounted but were bought and sold in the market, and their price reflected both exchange and interest rates. Or, to put it differently, while the modern bank which *discounts* a bill makes a definite profit, its mediaeval predecessor, the merchant-banker, when *buying* an instrument of that type took a risk. This risk in the eyes of the churchmen justified a profit.

When in the second part of his book Professor de Roover makes the reader familiar with the lombards and their business, he leads him into a different world. The position of the lombards was a dubious one for, strictly speaking, money-lending was an illegal occupation under mediaeval law. But it was needed, and public authorities considered open licensed "usury" sounder than clandestine operations of that character. Thus, from the late thirteenth century, the princes ruling in Flanders permitted Italians from Asti and Chieri in Piedmont to carry on in their domain the "nasty" business of money-lending and pawnbroking. In remuneration for their protection those princes received loans or annual fees. Nevertheless the lombards, who settled in numerous small communities in Flanders and ran their businesses in the form of local monopolies, lived in constant fear of being expelled and spoliated. In fact, in the early seventeenth century money-lending and pawnbroking were taken over by the *monts de piété*.

The business of the lombards was for generations in the hands of the same families, which is in part explained by the fact that the lombards, like the Jews, were outcasts, at least as long as they plied their trade. Their customers covered a wide range from noblemen pledging jewels, plate, tapestry, and court attire to craftsmen and other small folk raising a few pennies on household articles and clothing. Interest rates were extraordinarily high (almost 50 per cent), but one has to keep in mind that the cost of consumers' loans was and still is high, and that even today 24 to 36 per cent is legal in the small loan business in the various American States. There was usually a warehouse connected with the pawnshop where the pledges were stored. The lombards as a rule did not become rich, but most of them secured enough income to retire and to spend the rest of their lives at home as respectable citizens.

There was still a third group of money dealers in Bruges, the money-changers. In contrast to the Italian merchant-bankers and the lombards, they were Flemings, belonging to the upper classes. The business of the money-changers required financial means and executive ability; in fact, the state of the currency depended essentially on their dealings. Money-changing was the monopoly of a few who possessed the right to the trade by inheritance, by purchase of the privilege, or by license. Among themselves, however, they competed.

Historically speaking, the money-changers started strictly as such

and as bullion dealers, but by the middle of the fourteenth century they had become bankers. That is to say, they took deposits, made book transfers for their clients, and developed clearing systems so that they could make payments without the use of specie. This fact is of great interest. American business men are, as a rule, not aware of the Continental practice of making payments by the transfer of bank accounts. Such transfers were first developed in the Low Countries by mediaeval money-changers; they were taken over by their successors, the so-called public banks, such as the Bank of Amsterdam. Thence the system migrated to Hamburg, where it was applied by the *Girobank*. When in the 1870's the German *Reichsbank* was established, it copied the method from the latter and formed the *Reichsbankgirosystem*, which essentially corresponded to the national check-clearing system of the Federal Reserve Banks. A truly remarkable persistence of business methods! To return to our mediaeval money-changers, they worked on the fractional reserve system; that is to say, they kept only part of their deposits in cash and used the rest for extending credit. This they did by permitting overdrafts or by outright investments in commercial ventures, a dangerous procedure which accounts for some of the bankruptcies among the money-changers.

Professor de Roover's book is not only a great scholarly achievement; his findings will be of interest to the business man who takes a fancy to familiarizing himself with the beginnings of modern business. He may be interested to learn from this book that some twentieth-century business practices have their roots in methods and forms of organization originally developed in mediaeval times in both Italy and the Low Countries, whose merchants were then in the vanguard of the development toward modern capitalism.

FRITZ REDLICH

Belmont, Massachusetts

Plans for Reconstruction of America's First Iron Works

In the first volume of this BULLETIN there appeared an article describing a collection, just presented to the Society, of documents relating to the Lynn Iron Works.¹ After showing the importance of these documents for the history of what was the first successful iron works in this country, the account concludes: "At present, all that remains of the original Iron Works is a series of grass-grown hillocks marking the mounds of scoria from the plant, and these old documents, with their archaic expression and penmanship and worn paper, are now in the possession of The Business Historical Society." Since these words were written, the "grass-grown hillocks" have been disturbed and much of interest uncovered; many persons, singly and in groups, have contributed time, effort, and money to the ambitious project. It is the purpose of this note to bring the reader up to date on this development.

For those who have not visited the site of the Lynn Iron Works in Saugus (then a part of Lynn), a brief description may be helpful. The Saugus River flows sluggishly at the foot of what is now a rather steep bank but must then have been a gentle slope. It was in the upper reaches of this river that the bog iron, which led to the establishment of the Iron Works, was found. And the river itself furnished transportation and the power for operating the large bellows of leather. At the top of the slope is the ironmaster's house; a modern road (which accounts for the bank) separates it from the site of the Works. The Tudor structure, much enlarged and surrounded by pleasant lawns, is now the home of the First Iron Works Association. Not far away is the Scotch-Boardman House, where the prisoners taken in the battle of Dunbar and brought here to work in the mines were housed. It has for some time been the property of the Society for the Preservation of New England Antiquities. The existence of these two buildings in their historic setting is a continual inspiration to those who have in mind a larger restoration.

¹ "The First Iron Works in the Colonies," BULLETIN OF THE BUSINESS HISTORICAL SOCIETY, vol. i, no. 8 (July, 1927), pp. 7-12.

Until recently the ironmaster's house and its grounds were in private hands; and though the last few owners appreciated the value of the ancient house, and in fact carried through its restoration, there were those who hoped that it might some day become public property. One of these, whose vision and perseverance were largely responsible for encompassing this end, was M. Louise Hawkes, a descendant of an early settler in Saugus. The first step came when the Daughters of the American Revolution were able to purchase the site of the Iron Works. Then, when Henry Ford wished to purchase and transport to Dearborn the oldest section of the ironmaster's house, Miss Hawkes, William Sumner Appleton, and others obtained aid from State and town to meet Mr. Ford's offer.

To administer the house, the First Iron Works Association was incorporated at the Harrison Gray Otis House in Boston, on October 11, 1943. The first president was Henry W. Porter, insurance man, who was also much interested in historical matters. Upon his death, in 1948, he was succeeded by J. Sanger Attwill, who is also president of the Lynn Historical Society. Miss Hawkes is clerk of the Association and curator of the Iron Works house.

Rapid strides have been made in furnishing the house in keeping with its period. Plans are under way for a museum in the barn, in the rear of which Edward Guy now makes copies of early American iron-work. Already numerous summer visitors have been attracted to the spot. In October, 1947, the Bay State Historical League held its fall meeting there. The Association has from the beginning attracted both those interested primarily in history and those interested in the manufacture of iron products. Men like Walter R. Ingalls and Charles R. Hart, furnace authorities, Edward L. Bartholomew, engineer, and his son, Edward, Jr., metallurgist, and Quincy Bent, steelman, have investigated the beginnings of iron manufacture here and abroad. After determining where the Iron Works must have been, they were naturally anxious to see what foundations could be uncovered. Aid from the Iron and Steel Institute has made the work of excavation possible.

Work was begun last summer, under the direction of Roland Wells Robbins of Concord, who had investigated Thoreau's Walden site. Before cold weather necessitated a stop, the foundations of the blast furnace, of the stack, and of the bellows had been uncovered. Many artifacts, of iron, clay, and wood, were found; these have been temporarily displayed in the attic of the Association's house. When

work is resumed in the spring, it is hoped that the site of the water wheel, its tail-race, the foundry, and the forges may be uncovered. Already much interest has been aroused. The January, 1948, issue of *Steelways* carried an illustrated article. News stories appeared in the *Lynn Daily Evening Item* on September 30, and December 10, 1948. Of the early discoveries, Edward G. Penniman wrote for the *Item*: "First evidence that diggers had unearthed the site of the foundry came a few days ago when they struck two charcoal beds, nearly four feet below the surface. Near-by was the stone base for what undoubtedly was a blast furnace. As they dug deeper, they came across beach sand, used in casting, and a bar of wrought iron nearly four feet long, caked unevenly by age."

The development of interest in the First Iron Works has also turned attention towards the documents. Some four items have been added to the collection of fifty-eight already in Baker Library. Two documents concerning a dispute between Henry Webb and Samuel Bennett were purchased from a New York dealer in 1943. They were copied from the Salem Court Records not long after the originals, which bear the dates 1657 and 1658, were introduced. Then there are two small items, received from Professor George L. Kittredge through Houghton Library. One represents the testimony of William Franklin, dated September 2, 1654; the other, an assignment of John Gifford to Henry Furber, September 14, 1652. Thus other documents, fugitives from the court records of the many suits in which the Iron Works and its workmen were involved, turn up from time to time. A publication of these is long overdue; possibly the present interest will result in its appearance.

Nathan M. Hawkes, addressing the Lynn Historical Society on February 7, 1902, said of the scoria: "The fleecy snows have mantled it, the sun has scorched it for two centuries, and only an occasional curious observer has disturbed its scanty covering of vegetation for some relic of the first manufacturing industry of the continent." If the plans of those concerned with the reconstruction are successful, there will rise beside the slag heaps the furnace and forges of an earlier day. The modern visitor will perhaps see how the colonists, from the materials available to them, forged iron for the implements of daily use. And one more of the beginnings of industry in this country will have been rescued from obscurity.

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Meeting of the Council of the Business Historical Society

The annual meeting of the Council of the Business Historical Society was held at the Parker House in Boston on March 29. The following members were present: Messrs. Adams, David, Higgins, Kiley, Loring, and Shattuck, Councillors; Mr. Forbes, Treasurer; and Mr. Navin, Clerk.

The following personnel was elected to serve for the forthcoming year: President, John W. Higgins; Vice-President, N. S. B. Gras; Executive Secretary, Thomas R. Navin, Jr.; Assistant Executive Secretary, Elsie H. Bishop; Assistant Treasurer, Philip J. Potter (pro tempore); Editor of the BULLETIN, Henrietta M. Larson; Assistant Editor of the BULLETIN, Elsie H. Bishop; Librarian, Arthur H. Cole.

It was voted that an amendment to the By-laws be proposed, at the next meeting of the members, stipulating that the number of Councillors be not less than seven and not more than fifteen (the present Council consists of seven). It was suggested that the next meeting of the members be called in December of this year in order to coincide with the meeting of the American Historical Association in Boston.

Future publications planned for distribution to members by the Society include a revision of *The History of an Advertising Agency: N. W. Ayer & Son at Work, 1869-1949*, by Ralph M. Hower, and a history of the international banking firm, *The House of Baring*, by Ralph W. Hidy.

**HARVARD STUDIES
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1. JOHN JACOB ASTOR, BUSINESS MAN

BY KENNETH WIGGINS PORTER

2. JAY COOKE, PRIVATE BANKER

BY HENRIETTA M. LARSON

**3. THE JACKSONS AND THE LEES: TWO
GENERATIONS OF MASSACHUSETTS
MERCHANTS, 1765-1844**

BY KENNETH WIGGINS PORTER

**4. THE MASSACHUSETTS-FIRST NATIONAL BANK
OF BOSTON, 1784-1934**

BY H. S. B. GRAS

**5. THE HISTORY OF AN ADVERTISING AGENCY:
N. W. AYER & SON AT WORK, 1869-1939**

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**6. MARKETING LIFE INSURANCE: ITS HISTORY
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**7. HISTORY OF MACY'S OF NEW YORK, 1858-1919:
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**8. THE WHITESMITHS OF TAUNTON: A HISTORY
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**9. DEVELOPMENT OF TWO BANK GROUPS IN THE
CENTRAL NORTHWEST: A STUDY IN
BANK POLICY AND ORGANIZATION**

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**10. THE HOUSE OF HANCOCK: BUSINESS
IN BOSTON, 1724-1775**

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**11. TIMING A CENTURY:
HISTORY OF THE WALTHAM WATCH COMPANY**

BY C. W. MOORE

**12. GUIDE TO BUSINESS HISTORY:
MATERIALS FOR THE STUDY OF AMERICAN
BUSINESS HISTORY AND
SUGGESTIONS FOR THEIR USE**

BY HENRIETTA M. LARSON

**13. PEPPERELL'S PROGRESS: HISTORY OF A
COTTON TEXTILE COMPANY, 1844-1945**

BY EVELYN H. KNOWLTON